
Examination & Auditing

EXAMINATION/AUDITING

Examination and Auditing Section

The Examination and Auditing Section is responsible for the financial regulation of domestic and foreign insurance companies, including conducting financial analyses and examinations on licensed companies and applicants for licensing. The analyses and examinations are conducted for the primary purpose of detecting as early as possible licensed companies in financial trouble or those engaging in activities that are not in compliance with the laws and regulations of the State of Maryland.

This Section is the Administration's major revenue producer, having collected more than \$171 million in premium and retaliatory taxes in the year 1999 and more than \$183 million in year 2000.

The Examination and Auditing Section consists of three major sections:

- Company Licensing Section
- Financial Examination Section
- Auditing/Financial Analysis Section

Company Licensing Section

On an annual basis, the Company Licensing Section renews insurers' certificates of authority and qualifies surplus lines insurers, accepted reinsurers, managing general agents, risk retention groups, motor clubs and fronting reinsurers.

In addition, this Section processes and makes recommendations to the Insurance Commissioner on the licensing of new domestic and foreign insurers, health maintenance organizations, dental plans, motor clubs and managed care organizations.

This Section is responsible for maintaining a comprehensive database of insurers licensed to transact business in the State of Maryland, which includes current addresses and historical information regarding mergers and redomestications. It is anticipated that this information will be made available on the Administration's web-site in the near future.

Financial Examination Section

Section 2-205 of the Insurance Article, Annotated Code of Maryland, authorizes the Insurance Commissioner to conduct financial examinations of each licensed insurer as often as he deems advisable, but not less than every five years.

The Examination staff performs field examinations at the insurers' home and branch office in the State of Maryland or other states. The examinations may be routine scheduled reviews to assess the financial condition of insurers or limited or targeted to one or more areas of specific financial or regulatory concern. Upon the completion

of each examination, a report on the examiners' findings is compiled. Expenses for these examinations are borne by the insurer examined. During 1999, the Examination staff completed a total of 42 examinations, including four organizational examinations and 23 limited scope examinations.

During 2000, the staff completed 21 examinations including one organizational examination and one limited scope examination.

Financial Analysis Section

The Financial Analysis staff is responsible for monitoring the financial solvency of the various insurers conducting business in the State of Maryland. The staff is primarily responsible for monitoring insurers domiciled in Maryland. This is accomplished by performing in-depth analyses of annual and quarterly financial statements filed by these insurers, and reviewing various other filings. In addition, the staff reviews financial information for insurers domiciled in other jurisdictions, as appropriate. During 1999 the staff's reviews resulted in 6 orders for insurers domiciled in Maryland (three regarding acquisition of control, one involving a risk based capital plan, one imposing a penalty, and one involving the release of a statutory deposit), and five orders for insurers domiciled in other jurisdictions (two regarding Certificate of Authority suspensions, one revoking a Certificate of Authority, and two involving the releases of statutory deposits).

During 2000, the staff reviews resulted in the issuance of 10 orders for insurers domiciled in Maryland: two regarding surplus impairment, two regarding the location of the home office, three regarding reorganizations, mergers or acquisition of control, one revoking a Certificate of Authority, one determining that a report on examination is a final document, and one involving the release of a statutory deposit. There were also four orders for insurers domiciled in other jurisdictions: two regarding Certificate of Authority suspensions and two lifting previous Certificate of Authority suspensions; and four orders regarding a workers' compensation self-insurance trust.

The duties of the Audit/Analysis staff also include the auditing of the quarterly and annual premium tax reports upon their submission to the Insurance Administration. If discrepancies are found, insurers are subject to the assessment of additional taxes, penalties, and fees. In addition, the staff also reviews, for surplus line brokers, over 650 semi-annual reports and approximately 30,000 monthly reports and affidavits. The Section collected \$2,467,453 in unauthorized business premium taxes in 1999 and \$3,417,920 in 2000, at a tax rate of three percent.

For an explanation of all orders and consent agreements, see *The Regulator* on the MIA website, www.mdinsurance.state.md.us.

STATISTICAL DATA

Company Licensing Section

1999 Company Licensing Activity

Pending applications 1/1/99	37
Received in 1999	45
Total	82
Certificates of Authority issued	44
Applications withdrawn	6
Pending applications 12/31/99	32
Total Companies Licensed in Maryland As of December 31, 1999	1,538

2000 Company Licensing Activity

Pending applications 1/1/00	32
Received in 2000	27
Total	59
Certificates of Authority issued	27
Applications withdrawn	9
Pending applications 12/31/00	21
Total Companies Licensed in Maryland As of December 31, 2000	1,575

Companies Licensed - 1999

Company Name and State Domicile	Date Licensed
Reliance Direct Insurance Company (PA)	03/23/1999
Madison Insurance Company (GA)	03/23/1999
Meridian Security Insurance Company (IN)	03/23/1999
Meridian Mutual Insurance Company (IN)	03/23/1999
Atlantic Specialty Insurance Company (NY)	04/01/1999
Mutual Insurance Corporation of America (MI)	04/01/1999
AAA Mid-Atlantic Insurance Company (PA)	05/06/1999
Anesthesiologists Professional Assurance Company (FL)	05/06/1999
Carolina Continental Insurance Company (SC)	06/04/1999
Blue Ridge Indemnity (CT)	06/04/1999
CareFirst, Inc. (MD)	06/04/1999
MIIX Insurance Company (NJ)	06/04/1999
Central Benefits National Life Insurance Company (OH)	07/01/1999
Millers Mutual Fire Insurance Company (TX)	07/01/1999
Millers Casualty Insurance Company (The) (TX)	07/01/1999
Old Dominion Insurance Company (FL)	07/19/1999
Healthcare Underwriters Mutual Insurance Company (NY)	07/19/1999
Folksamerica Reinsurance Company (NY)	09/07/1999
Eastguard Insurance Company (PA)	09/07/1999
Federated Service Insurance Company (MN)	09/07/1999
Group Dental Service of Maryland, Inc (MD)	09/07/1999
Starnet Casualty Company (DE)	09/07/1999
Companion Property & Casualty Insurance Company (SC)	10/12/1999
Benchmark Insurance Company (KS)	10/12/1999
Hudson Insurance Company (DE)	10/12/1999
Contemporary American Insurance Company (IL)	10/12/1999
Camico Mutual Insurance Company (CA)	10/12/1999
Florida Physicians Insurance Company (FL)	11/09/1999
Norcal Mutual Insurance Company (CA)	11/09/1999
Alamance Insurance Company (IL)	11/09/1999
Gray Insurance Company (The) (LA)	12/12/1999
Equitrust Life Insurance Company (IA)	12/23/1999
Meridian Citizens Mutual Insurance Company (IN)	12/23/1999
Kemper Auto & Home Insurance Company (IL)	12/23/1999
Kemper Independence Insurance Company (IL)	12/23/1999
Western Catholic Union (IL)	12/23/1999
Pioneer Mutual Life Insurance Company (ND)	12/23/1999
First Colonial Insurance Company (FL)	12/23/1999

Companies Licensed – 1999 (con't)

Progressive Max Insurance Company (OH)	12/23/1999
National Guardian Life Insurance Company (WI)	12/23/1999
NGL American Life Insurance Company (ND)	12/23/1999
First Rehabilitation Life Insurance Company of America (NY)	12/23/1999
American Horizon Insurance Company (AZ)	12/23/1999
Meridian Citizens Security Insurance Company (IN)	12/23/1999

Companies Licensed - 2000

Company Name and State Domicile	Date Licensed
Coventry Carelink Insurance Company of Maryland (MD)	01/05/2000
American Independent Insurance Company (PA)	03/09/2000
Sunset Life Insurance Company of America (MO)	03/09/2000
Companion Commercial Insurance Company (SC)	06/12/2000
Cumberland Mutual Fire Insurance Company (NJ)	06/12/2000
Avomark Insurance Company (IN)	07/06/2000
Constitution Insurance Company (NY)	07/06/2000
Country Life Insurance Company (IL)	07/06/2000
GE Auto & Home Assurance Company (PA)	07/06/2000
Frankenmuth Mutual Insurance Company (MI)	07/06/2000
Franklin Homeowners Assurance Company (PA)	07/06/2000
MGIC Mortgage Reinsurance Corporation (WI)	07/06/2000
Country Investors Life Assurance Company IL	07/06/2000
MGIC Residential Reinsurance Corporation (WI)	07/06/2000
Homesite Insurance Company of the Midwest (ND)	07/06/2000
American Equity Specialty Insurance Company (CA)	07/25/2000
XL Insurance Company of New York, Inc. (NY)	08/23/2000
Economy Premier Assurance Company (IL)	09/15/2000
Economy Fire & Casualty Company (IL)	09/19/2000
Economy Preferred Insurance Company (IL)	09/19/2000
Roche Surety and Casualty Company, Inc. (FL)	09/19/2000
Elder Health Maryland HMO, Inc. (MD)	10/13/2000
Commercial Compensation Casualty Company (CA)	10/13/2000
America Contractors Indemnity Company (CA)	11/28/2000
Country Casualty Insurance Company (IL)	11/28/2000
Country Preferred Insurance Company (IL)	11/28/2000
Country Mutual Insurance Company (IL)	12/14/2000
Progressive Home Insurance Company (TN)	12/15/2000

Redomesticated Companies - 1999

Company Name and Change of Domicile	Effective Date
Travelers Home and Marine Insurance Company, The (From Indiana to Connecticut)	01/01/1999
Atlanta Casualty Company (From Illinois to Ohio)	03/02/1999
Ace Property and Casualty Insurance Company (From Connecticut to Pennsylvania)	04/14/1999
Deerfield Insurance Company (From Connecticut to Illinois)	07/01/1999
Midland National Life Insurance Company (From South Dakota to Iowa)	07/01/1999
Motors Insurance Corporation (From New York Michigan)	08/11/1999
United General Title Insurance Company (From Louisiana Colorado)	08/11/1999
Reliance Life Insurance Company (From Delaware to Arizona)	08/15/1999
Glenbrook Life & Annuity Company (From Illinois to Arizona)	09/02/1999
Northbrook Life Insurance Company (From Illinois to Arizona)	09/02/1999
Coventry Health and Life Insurance Company (From Texas to Delaware)	09/21/1999
GenAm Benefits Insurance Company (From Oklahoma to Missouri)	09/23/1999
Worldwide Insurance Company (From Missouri to Ohio)	09/27/1999
Royal Maccabees Life Insurance Company (From Michigan to Illinois)	09/30/1999
Federated Rural Electric Insurance Exchange (From Wisconsin to Kansas)	10/01/1999
TIG Countrywide Insurance Company (From California to Wisconsin)	11/03/1999
Shelby Casualty Insurance Company (From Indiana to Illinois)	11/30/1999
Vesta Fire Insurance Corporation (From Alabama to Illinois)	11/30/1999
Vesta Insurance Corporation (From Alabama to Illinois)	11/30/1999

<p align="center">Redomesticated Companies – 1999 (con't)</p>
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Pennsylvania Casualty Company (From Kansas to Pennsylvania)	12/29/1999
Peoples Benefit Life Insurance Company (From Missouri to Iowa)	12/29/1999
Admiral Indemnity Company (From Maryland to Delaware)	12/31/1999

Redomesticated Companies - 2000

Company Name and Change of Domicile	Effective Date
USAA Casualty Insurance Company (From Florida to Texas)	01/01/2000
Aetna Insurance Company of America (From Connecticut to Florida)	01/05/2000
Canada Life Assurance Company (US Branch) (From Michigan to Ontario)	03/13/2000
American Network Insurance Company (From Vermont to Pennsylvania)	03/21/2000
National American Insurance Company (From Nebraska to Oklahoma)	05/19/2000
CMG Mortgage Assurance Company (From California to Wisconsin)	06/01/2000
Provident American Life & Health Insurance Company (From Pennsylvania to Ohio)	06/08/2000
Chartwell Insurance Company (From Minnesota to Connecticut)	06/09/2000
AXA Re America Insurance Company (From Massachusetts to Delaware)	06/10/2000
Jefferson Pilot Financial Insurance Company (From New Hampshire to Nebraska)	06/12/2000
Acceptance Casualty Insurance Company (From TX to Nebraska)	06/30/2000
Security-Connecticut Life Insurance Company (From Connecticut to Minnesota)	07/20/2000
CareFirst BlueChoice, Inc. (From Virginia to D.C.)	07/31/2000
Charter National Life Insurance Company (From Missouri to Illinois)	08/02/2000
Kemper Casualty Insurance Company (From Michigan to Illinois)	09/26/2000
Freedom Life Insurance Company of America (From Missouri to Texas)	09/30/2000
Specialty National Insurance Company (From Pennsylvania to Illinois)	10/02/2000
Commercial Compensation Casualty Company (From New York to California)	10/18/2000
Commercial Compensation Insurance Company (From California to New York)	10/18/2000

Redomesticated Companies – 2000 (con't)

Commercial Compensation Insurance Company (From New York to California)	10/18/2000
Meridian Citizens Mutual Insurance Company (From Minnesota to Indiana)	10/30/2000
Meridian Citizens Security Insurance Company (From Minnesota to Indiana)	10/30/2000
Allmerica Financial Benefit Insurance Company (From Pennsylvania to Michigan)	12/01/2000
Annuity & Life Reassurance America, Inc. (From Missouri to Connecticut)	12/12/2000
Peninsular Life Insurance Company (From North Carolina to Florida)	12/28/2000
Aries Insurance Company, The (From Pennsylvania to Florida)	12/31/2000
Berkley Regional Insurance Company (From Missouri to Delaware)	12/31/2000
Transamerica Occidental Life Insurance Company (From California to Iowa)	12/31/2000

Financial Examination Section

EXAMINATIONS – 1999

Examinations in progress as of January 1, 1999 and completed in 1999:

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| 1. Free State Health Plan, Inc.** |
| 2. Security Title Guarantee Corporation of Baltimore |
| 3. Mutual Fire Insurance Company of Carroll County |
| 4. Admiral Indemnity Company(1) |
| 5. Firemen's Insurance Company of Washington D.C. |
| 6. Care First, Inc.* |
| 7. Group Dental Service of Maryland, Inc.* |

*Organizational Examination

**Limited Scope Examination

(1) Previously named FICO Insurance Company

EXAMINATIONS – 2000

Examinations in progress as of January 1, 2000 and completed in 2000:

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| 1. United States Surety Company |
| 2. Atlantic Bonding Company, Inc. |
| 3. CIGNA HealthCare Mid-Atlantic, Inc. |
| 4. Banner Life Insurance Company |
| 5. Regal Life Insurance Company |
| 6. Bankers Independent Insurance Company |

Examinations Started and Finished During 1999

1. Baltimore Equitable Society, The
2. Amerigroup Maryland, Inc.*
3. Jai Medical Systems MCO, Inc.**(2)
4. Helix Family Choice, Inc.**(2)
5. PrimeHealth Corporation**
6. Helix Family Choice, Inc.**(2)
7. Priority Partners MCO, Inc.**
8. Maryland Care, Inc.**
9. Jai Medical Systems MCO, Inc.**(2)
10. United Healthcare of the Mid-Atlantic, Inc.**
11. Amerigroup Maryland, Inc.**
12. Baltimore Life Insurance Company
13. Care First, Inc.**
14. Harford Mutual Insurance Company
15. Campmed Casualty & Indemnity Company of Maryland**
16. Government Employees Insurance Company**
17. Firstline National Insurance Company
18. Life of Maryland, Incorporated
19. Avemco Insurance Company
20. Kaiser Foundation Health Plan Mid-Atlantic**
21. MAMSI Life and Health Insurance Company**
22. Fidelity and Deposit Company of Maryland**
23. Fidelity and Guaranty Life Insurance Company**
24. Consumer Dental Corporation
25. Legal Mutual Liability Insurance Society of Maryland
26. Monumental Life Insurance Company**
27. Maryland Casualty Company**
28. Union Labor Life Insurance Company**
29. Aetna U.S. Healthcare, Inc.**
30. PHN-HMO, Inc.**
31. Coventry CareLink Insurance Company of Maryland *
32. ACE Guaranty Re Inc.**
33. NCM Americas, Inc
34. Maryland Automobile Insurance Fund
35. ACA Financial Guaranty Corporation
*Organizational Examination
**Limited Scope Examination
(2) There were 2 limited scope examinations of this company conducted during 1999

Examinations Started And Finished During 2000:

1. Montgomery Mutual Insurance Company**
2. Paramount Insurance Company
3. Fidelity and Deposit Company of Maryland
4. Colonial American Casualty and Surety Company
5. Denta-Chek of Maryland, Inc.
6. Elder Health Maryland HMO, Inc.*
7. Liberty Dental Care of Maryland, Inc.
8. Maryland Dental Health, Inc.
9. GEICO Casualty Company
10. GEICO General Insurance Company
11. Government Employees Insurance Company
12. GEICO Indemnity Company
13. Mid-Atlantic Vision Service Plan, Inc.
14. First AUSA Life Insurance Company
15. Monumental Life Insurance Company

***Organizational Examination**

****Limited Scope Examination**

Examinations in Progress on 12/31/99:
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| 1. United States Surety Company |
| 2. Atlantic Bonding Company, Inc. |
| 3. CIGNA HealthCare Mid-Atlantic, Inc. |
| 4. Banner Life Insurance Company |
| 5. Regal Life Insurance Company |
| 6. Bankers Independent Insurance Company |

Examinations in Progress on 12/31/00

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| 1. Montgomery Mutual Insurance Company |
| 2. Montgomery Indemnity Company |
| 3. Kaiser Foundation Health Plan Mid-Atlantic |
| 4. Care First of Maryland, Inc. |
| 5. Care First, Inc. |
| 6. Delmarva Health Plan, Inc. |
| 7. First Care, Inc. |
| 8. Free State Health Plan, Inc. |

Annual Statements Filed – 1999

Type of Insurer	Number
Life	566
Property and Casualty	880
Not for Profit	9
Title	25
Fraternal	28
Health Maintenance Organizations	16
Dental Plans	14
Risk Retention Groups	40
Surplus Lines	117
Accepted Unauthorized Reinsurers	76
Workers' Compensation Self Insurers	7
Motor Clubs	<u>31</u>
Total	1,809

Annual Statements Filed – 2000

Type of Insurer	Number
Life	552
Property and Casualty	870
Not for Profit	9
Title	24
Fraternal	29
Health Maintenance Organization	15
Dental Plans	15
Risk Retention Groups	45
Surplus Lines	117
Accepted Unauthorized Reinsurers	64
Workers' Compensation Self Insurers	7
Motor Clubs	<u>30</u>
Total	1,780

Other Documents Reviewed or Processed – 1999	
CPA Reports	1,809
Actuarial Reports	1,778
SVO Compliance Certificates	1,771
Management Discussion & Analysis	1,771
Holding Company Amendments	250
Premium Tax Quarterly Estimates	6,180
Premium Tax Year End	1,538
Premium Tax Audits	1,340
Surplus Lines Broker Semi-Annual Reports	700
Surplus Lines Monthly Reports	2,287
Surplus Lines Affidavits	27,454
Certificates of Filed Documents	1,597

Other Documents Reviewed or Processed – 2000	
CPA Reports	1,780
Actuarial Reports	1,750
SVO Compliance Certificates	1,743
Management Discussion & Analysis	1,743
Holding Company Amendments	250
Premium Tax Quarterly Estimates	6,236
Premium Tax Year End	1,559
Premium Tax Audits	0
Surplus Lines Broker Semi-Annual Reports	710
Surplus Lines Monthly Reports	2,441
Surplus Lines Affidavits	29,296
Certificates of Filed Documents	1,744

Late Forfeitures Fees Assessed - 1999

COMPANY	AMOUNT PAID
Coregis Insurance Company	\$8,000
Fidelity Life Association, A Mutual Legal Reserve	\$8,000
Financial American Life Insurance Company	\$4,500
First American Title Insurance Company	\$4,500
First American Title Insurance Company of North Carolina	\$4,500
General & Cologne Life RE of America	\$8,000
Penn-Star Insurance Company	\$11,000
Prudential Select Life Insurance Company of America	\$4,500
TIG Reinsurance Company	\$9,000
Transguard Insurance Company	\$9,000
United Wisconsin Life Insurance Company	\$7,000
Total	\$78,000

Late Forfeitures Fees Assessed - 2000

COMPANY	FINE AMOUNT	AMOUNT PAID
Anthem Alliance Health Insurance Company	\$21,000	\$21,000
Combined Insurance Company	\$15,000	\$15,000
Continental Insurance Co. of America	\$14,000	\$14,000
The Dental Concern	\$16,000	\$16,000
Corporate Health Insurance Company	\$46,000	\$46,000
Graphic Arts Benefit Corp.	\$21,000	*
Guardian Life Insurance Co. of America	\$13,000	\$13,000
Insurance Corp of New York	\$31,000	*
Healthsource Insurance Company	\$20,000	\$20,000
Vesta Fire Insurance Company	\$21,000	*
Mid-Atlantic Vision Service Plan	\$15,000	*
Mony Life Insurance Company	\$14,000	\$14,000
Mony Life Insurance Company of America	\$14,000	\$14,000
Ticor Title Indemnity Company	\$96,000	*
Total	\$357,000	\$194,000

*Fine is under appeal

**Premium and Retaliatory Taxes
Collected – 1999**

<u>Type of Insurer</u>	<u>Premium</u>	<u>Retaliatory</u>
Property & Casualty	\$104,168,065	\$1,134,977
Life	59,348,386	823,814
Dental Plans	713,364	-
Title	2,510,318	-
Unauthorized Insurers	314,444	-
Surplus Lines	2,623,453	-
Totals	\$169,678,030	\$1,958,791

**Premium and Retaliatory Taxes
Collected -2000**

<u>Type of Insurer</u>	<u>Premium</u>	<u>Retaliatory</u>
Property & Casualty	\$108,021,987	\$840,621
Life	67,555,491	420,311
Dental Plans	1,273,899	-
Title	2,309,352	-
Unauthorized Insurers	295,980	-
Surplus Lines	2,475,755	-
Totals	\$181,932,463	\$1,260,932